

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NEA-09 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 FEA-01

USIA-06 PA-01 PRS-01 /101 W
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FM AMEMBASSY ROME

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INFO AMEMBASSY BON

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

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AMEMBASSY KUWAIT

AMEMBASSY BEIRUT

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, IT

SUBJECT: ENERGY-ITALY: LATEST DEVELOPMENTS

REF: (A) ROME 1037; (B) ROME 0892; (C) ROME 1113 (ALL NOTAL)

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1. SUMMARY: FON MIN RUMOR STRONGLY RESTATED GOI INTERNATIONAL ENERGY POLICY DURING LONG FOREIGN POLICY ADDRESS BEFORE FOREIGN AFFAIRS COMMITTEE JANUARY 23, EMPHASIZING GOI COMMITMENT TO PRODUCER-CONSUMER CONFERENCE AND SOLIDARITY WITH US. ADDITIONAL SECTION DEALT WITH IMPORTANCE GOI TRADE WITH PRODUCING STATES. ON DOMESTIC SCENE, NEW MEASURES ARE REPORTEDLY BEING CONSIDERED TO REDUCE OIL CONSUMPTION, AND PRELIMINARY CONSUMPTION FIGURES SHOW SMALL DECLINE IN TOTAL USAGE. END SUMMARY

2. DURING FOREIGN POLICY ADDRESS TREATING POLITICAL AND ECONOMIC ASPECTS OF ITALIAN FOREIGN POLICY, RUMOR DEVOTED CONSIDERABLE ATTENTION TO ITALIAN ENERGY POLICY. RESTATED WAS GOI VIEW THAT IEA (AND MARTINIQUE) ACCORDS, AND SUBSEQUENT CONSUMER SOLIDARITY EFFORTS SHOULD BE CONSIDERED PRELIMINARY TO QUOTE MUCH WIDER ACCORD UNQUOTE EMBRACING BOTH PRODUCING COUNTRIES AND NON-PRODUCING COUNTRIES INTERESTED QUOTE IN A REASONABLE SOLUTION TO THE ENERGY PROBLEM UNQUOTE COVERING THE IMMEDIATE FUTURE AS WELL AS THE LONG RUN.

DURING SPEECH, RUMOR STRONGLY EMPHASIZED NEED AND DESIRABILITY FOR ITALIAN COOPERATION WITH U.S., REMINDING HIS COLLEAGUES OF U.S. IMPORTANCE AS (A) PRODUCER AND CONSUMER, (B) RECEIVER OF PETRO-DOLLARS, (C) CENTER FOR ENERGY RESEARCH AND DEVELOPMENT ON BOTH ALTERNATIVE AND EXISTING ENERGY SOURCES, AND (D) PLAYING AN IMPORTANT ROLE IN FINANCIAL SOLIDARITY FUND. RUMOR NOTED THAT COOPERATION AND COLLABORATION WITH U.S. IN ENERGY FIELD DID NOT IMPLY DIMINUTION ITALIAN ADHERENCE TO EC AND EC ENERGY EFFORTS AND RELATED GOI CONVICTION THAT EC SHOULD PARTICIPATE AS SINGLE ENTITY IN PRODUCER-CONSUMER CONFERENCE IN SUMMER 1975.

3. SEPARATE SECTION OF RUMOR ADDRESS NOTED CONTINUING GOI EMPHASIS ON NON-CONFRONTATION WITH PRODUCING CMUNTIES, AND DEALT WITH GOI INTENTIONS TO PROMOTE SO-CALLED TRIANGULAR DEALS BETWEEN ITALY, CAPITAL-RICH PRODUCING COUNTRIES AND LDC'S. SUCH DEALS WOULD INVOLVE DIRECT PRODUCER COUNTRY FINANCING OF ITALIAN-BUILT PROJECTS IN LDC'S. RUMOR POINTED OUT THIS NEW EFFORT, TO BE COORDINATED AMONG VARIOUS INTERESTED GOI MINISTRIES, WOULD COMPLEMENT ITALIAN EFFORTS AIMED AT BI-LATERAL COMMERCIAL DEALS WITH PRODUCING COUNTRIES.

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4. COMMENT: EMPHASIS PLACED ITALIAN COOPERATION WITH U.S. IN ENERGY SECTOR ALL THE MORE MARKED AS RUMOR, IN OTHER SECTIONS OF SPEECH, SPOKE AT LENGTH OF NEED TO STRENGTHEN EC INSTITUTIONS AND ITALIAN ROLE IN THAT EFFORT. POINTING OUT THAT ON BASIS OF A QUOTE REALISTIC EVALUATION UNQUOTE U.S. HOLDS MOST OF THE ENERGY CARDS, RUMOR HAS LEFT NO DOUBT THAT PRESENT GOI STRONGLY PERCEIVES ITS BEST INTERESTS LIE IN COOPERATION WITH THE U.S. ON ENERGY AFFAIRS, AND THAT GOI WOULD RESIST DEVISIVE EFFORTS

ON THE PART OF OTHERS (PERHAPS BY THE FRANCH?). THIS SHOULD NOT IMPLY SLAVISH

ACCEPTANCE, AND WE FORESEE THAT GOI WILL HAVE SHARP OPINIONS ON SUBJECTS SUCH AS PRICE LEVELS FOR ALTERNATIVE ENERGY SOURCES (REFB) AND OTHER ISSUES WHILE FOLLOWING BROAD PRO-U.S. STRATEGY. RUMOR STATEMENTS ON DESIRABILITY OF TRIANGULAR DEALS AND BI-LATERAL COLLABORATION WITH PRODUCERS REPRESENT NO RPT NO DEPARTURES FROM PREVIOUSLY ENUNCIATED GOI POLICY.

5. BEGIN UNCLASSIFIED: RUMOR MESSAGE FOLLOWED LONG MEETING ON ECONOMIC ISSUES OF COUNCIL OF MINISTERS CHAIRED BY COUNCIL PRESIDENT MORO. PRESS REPORTS SUGGEST THAT NEW PACKAGE OF ENERGY CONVERSATION MEASURES ARE UNDER CONSIDERATION, INCLUDING SOME TO:

(A) SPEED PROCESS OF SITING ELECTRICAL GENERATING PLANTS. THIS WOULD BE NEW EFFORT DESIGNED TO OVERCOME LOCAL AND REGIONAL OBJECTIONS AND DELAYS WHICH HAVE CAUSED SERIOUS PROBLEMS IN PAST;

(B) CONVERT EXISTING OIL-FIRED ELECTRICAL GENERATING PLANTS TO NATURAL GAS OR COAL. ELECTRICITY AUTHORITY ENEL ESTIMATES 8 PLANTS CAN BE SO CONVERTED;

(C) RATIONALIZE DOMESTIC HEATING, INVOLVING INSTALLATION OF INDIVIDUAL APARTMENT THERMOSTATS AUTOMATICALLY ADJUSTING INTERNAL TEMPERATURE IN RELATION TO OUTSIDE LEVELS AND PROMOTION CENTRAL HEATING;

(D) CLOSING OF CITY CENTERS TO NON-LOCAL AUTOMOBILE TRAFFIC. ALREADY DONE AS ENVIRONMENTAL MEASURE IN MILAN, ROME AND OTHER LARGE CITIES, MEASURE UNDER CONSIDERATION WOULD REQUIRE CLOSURE OF CITIES OVER 70-100,000 INHABITANTS; AND

(D) RAISING OF SUPERHIGHWAY SPEED LIMITS FROM PRESENT, WIDELY-IGNORED 120 KPH (72 MPH) TO STRICTLY-ENFORCED 130 KPH (78 MPH).

6. COMMENT: MINISTRY INDUSTRY CALCULATIONS ESTIMATE ABOVE LIMITED OFFICIAL USE

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MEASURES WOULD SAVE LIT 350-400 BILLION (DOLS 540-615 MILLION) IN 1975 IF ENACTED PROMPTLY. CONSIDERATION FURTHER CONSERVATION MEASURES UNDOUBTEDLY STIMULATED BY PRELIMINARY RESULTS ITALIAN DOMESTIC CONSERVATION PROGRAMS IN 1974, WHICH SHOW OVERALL CONSUMPTION DECLINE OF ONLY 0.8 PERCENT. SOME INDIVIDUAL CATEGORIES DECREASED MORE SHARPLY (GASOLINE-DOWN 7.9 PERCENT, KEROSENE FOR HEATING-DOWN 20.5 PERCENT) BUT WERE OFFSET BY INCREASES IN OTHER FIELDS (LIGHT HEATING OIL- UP 2.6 PERCENT; HEAVY FUEL OIL-UP 1 PERCENT). ALTHOUGH THESE RESULTS ARE SOMEWHAT DISAPPOINTING, 1975 RESULTS EXPECTED TO BE BETTER AS ECONOMIC DOWNTURN REDUCES DEMAND FOR INDUSTRIAL USES; AND CONSUMER UNCERTAINTY AND HIGHER PRICES SHOULD HAVE FURTHER NEGATIVE EFFECT ON GASOLINE USAGE. MILD WEATHER THUS FAR IN WINTER SEASON HAS PROBABLY ACCOUNTED FOR LESS-THAN EXPECTED RISE IN USAGE LIGHT FUEL OIL. VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ENERGY, PRODUCTION, CONSUMPTION, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME01200
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750030-0283
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750117/aaaaapdm.tel
Line Count: 169
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 ROME 1037, 75 ROME 0892, 75 ROME 1113
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 14 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 APR 2003 by KelleyW0>; APPROVED <15 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY-ITALY: LATEST DEVELOPMENTS
TAGS: ENRG, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006